Washington — The federal financial regulatory agencies and the Conference of State Bank Supervisors (the regulators) issued a statement today on prudent lending to creditworthy small business borrowers. The regulators recognize that small businesses play an important role in the economy and know that some are experiencing difficulty in obtaining or renewing credit.

The statement emphasizes that financial institutions that engage in prudent small business lending after performing a comprehensive review of a borrower’s financial condition will not be subject to supervisory criticism for small business loans made on that basis. Financial institutions should understand the long-term viability of the borrower’s business and focus on the strength of a borrowers’ business plan to manage risk rather than using portfolio management models that rely primarily on general inputs, such as a borrower’s geographic location or industry.

The regulators are working with the industry and supervisory staff to ensure that supervisory policies and actions do not inadvertently curtail the availability of credit to sound small business borrowers. The statement builds upon principles in existing guidance, including the Interagency Statement on Meeting the Needs of Creditworthy Borrowers issued in November 2008 and the Policy Statement on Prudent Commercial Real Estate Loan Workouts issued in October 2009.

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Attachment: Interagency Statement on Meeting the Credit Needs of Creditworthy Small Business Borrowers

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